

# Innovative Financing Sources for Lead Hazard Control



Building partnerships and capitalizing on  
the Community Reinvestment Act and related programs  
to leverage private sector financing  
for lead hazard control



**ALLIANCE TO END CHILDHOOD LEAD POISONING**

## Innovative Financing Sources for Lead Hazard Control

*How Advocates for Lead Poisoning Prevention and Affordable Housing  
Can Join Forces to Leverage Private Sector Financing through the  
Community Reinvestment Act (CRA) and Related Programs*

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## I. INTRODUCTION

The crisis in affordable housing and the tragedy of childhood lead poisoning are closely linked. The latest national data clearly show that the highest prevalence of lead poisoning cases exists among children in poor, inner-city neighborhoods. *In some of these communities, more than half of all young children have elevated lead levels.*

### A. Health Effects of Lead on Children

The health effects of exposure to lead are well documented. In 1993, the National Academy of Sciences published a watershed report, entitled "Measuring Lead Exposure in Infants, Children, and Other Sensitive Populations,"<sup>1</sup> that includes an exhaustive and authoritative survey of the adverse health effects of lead exposure on young children, infants, and fetuses. The report confirms the medical and scientific community's consensus that even very low exposures to lead (10 micrograms of lead per deciliter of blood [ $\mu\text{g}/\text{dl}$ ] and in some cases even lower levels) can result in serious harm to young children's intelligence and learning.

Children under age six (and fetuses) are most vulnerable to lead's effects, because their brain and central nervous system are still developing. Once ingested or inhaled, lead directly affects the development of the neurologic system, often resulting in permanent deficiencies. Even exposure to very low levels of lead can result in reading and learning disabilities, hyperactivity, behavior problems, attention deficit disorders, and reductions in IQ. Exposure to higher levels of lead can cause mental retardation -- and at very high levels, coma, convulsions, and even death. For a summary of the overwhelming scientific evidence on the adverse effects of low-level lead poisoning in children, readers should refer to the 1993 report by the National Academy of Sciences, cited above, available through National Academy Press at 800-624-6242.

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<sup>1</sup> Measuring Lead Exposure in Infants, Children, and Other Sensitive Populations; Committee on Measuring Lead in Critical Populations, Board on Environmental Studies and Toxicology, Commission on Life Sciences, National Academy of Sciences; National Academy Press; Washington DC, 1993.

## B. Urban Disinvestment and Childhood Lead Poisoning

Who Are the Victims? The Centers for Disease Control and Prevention (CDC), recently published reliable national data on the nature and extent of lead poisoning in the U.S.<sup>2</sup> From data collected between 1988 and 1991, the CDC concluded that 1.7 million children aged 1-5 are lead poisoned – 8.9% of all U.S. pre-schoolers. These data also make clear the linkage between poor housing quality and lead hazards, as *more than four times as many low-income children are lead-poisoned (16.3%) than children coming from high-income neighborhoods (4.0%)*. Moreover, the CDC data reveal that *among children living in central cities with over 1 million total population, 36.7% of all black children and 17.0% of all Hispanic children are lead-poisoned*.

These health data coincide with and corroborate what we know about lead-based paint hazards in housing: that they are primarily found in older housing, particularly in housing built prior to 1950 (which is likely to contain more lead-based paint), and in housing in poor condition. The CDC data also conclusively confirm that lead poisoning disproportionately affects minority populations.

**Disinvestment -- A Recipe for Disaster.** The deterioration of older U.S. inner-cities has clearly accelerated during the past several decades. As unemployment and crime rates began to rise dramatically in these neighborhoods during the 1960s and 1970s, many of those who could afford to do so began to take refuge in safer, more affluent communities, primarily in the suburbs. As it turns out, many banks took similar steps and reduced both access to services and the number of loans made in these declining areas.

Specifically, banks began to close branches in low-income neighborhoods, making it increasingly difficult for local residents to conduct everyday transactions. Moreover, as savings deposits and other funds coming from inner-city neighborhoods began to be transferred out of these communities, small business loans, mortgages, and virtually all other types of local bank services dried up. This "redlining" exacerbated the already troubled health of America's cities, also beset by increasing poverty rates, prompting Congress to enact the Community Reinvestment Act (CRA) in 1977.

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<sup>2</sup> Journal of the American Medical Association, Volume 272, Number 4, July 27, 1994.

The damage caused by the widespread pattern of disinvestment that came with increased poverty in many large inner-city communities has proven difficult to reverse. Although it has been almost twenty years since CRA's requirements became Federal law, entire neighborhoods of several major American cities have collapsed into despair. As a result, housing deterioration in many such areas has accelerated.

Clearly, the nation's stock of affordable housing has suffered tremendously due at least in part to disinvestment in low- and moderate-income neighborhoods. Given that rents in such housing are typically relatively low, cash flow is often tight and owner maintenance marginal at best. In addition, owners in many cities have been confronted with declining property values, commensurate with increasing poverty rates. This phenomenon further undercuts incentives to preserve rental properties and has triggered even greater deferred maintenance. As a result, the nationwide stock of affordable housing is in increasingly scarce supply, and owners of the remaining low-cost residential properties are subject to substantial economic pressures.

In fact, some owners are threatening to abandon these properties altogether. Indeed, once housing deteriorates to a point where the cost to repair it becomes greater than its market value, both outright abandonment and/or condemnation become increasingly likely. Data from the Institute for Public Policy Studies at Temple University reveal that in cities such as St. Louis, more than 10% of all housing units have either been unoccupied for a number of years or are currently unoccupied and neither for sale nor rent.<sup>3</sup> In New York City alone, there are over 100,000 such vacant units. Increased homelessness is clearly yet another consequence of this disinvestment pattern and the crisis in affordable housing.

Given increasingly limited housing choices, most poor households who are not homeless find themselves living in the oldest, lowest-quality rental housing, often in appalling conditions. This is precisely the type of housing where lead-based paint hazards are most likely to exist.

### **C. Lead-Based Paint: When -- and Where -- Is It a Hazard?**

Lead-based paint (LBP) is widely recognized today as the primary source of lead exposure in this country. In December 1990, the U.S. Department of Housing and Urban Development (HUD) published its national survey

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<sup>3</sup> The Philadelphia Inquirer, page E5, March 8, 1992.

findings that LBP is present in about two-thirds of the U.S. housing stock, or some 64 million homes.<sup>4</sup> However, it must be emphasized that *the mere presence of LBP does not pose a health hazard*. It is LBP *in deteriorating condition* that is at the heart of this very serious public health problem.

Deteriorating LBP (paint that is chipping, peeling, flaking, or chalking) poses a serious risk of exposure to lead. But children do not have to eat paint chips to be poisoned -- it is lead-contaminated surface dust that is the foremost pathway of poisoning. Lead dust, which can be invisible to the naked eye, gets on children's hands and toys and then in their mouths through normal hand-to-mouth behavior. Other risks include lead-contaminated bare soil and exposures from LBP on friction, impact, and some chewable surfaces.

These hazardous conditions are most often found in older, low- and moderate-income housing, often located in inner-city neighborhoods. In such communities, poorly maintained properties frequently present a variety of LBP hazards -- in particular, large amounts of deteriorated lead-based paint and high levels of lead-contaminated dust.

#### D. The Need for Expanded Private Sector Funding

Ultimately, the success of efforts to prevent lead poisoning hinges on the ability to secure funds to control LBP hazards as well as rehabilitate and preserve affordable housing. To date, some -- albeit limited -- public sector funds have been available for such purposes. Since 1992, HUD's Office of Lead Hazard Control has awarded over \$300 million to more than 50 cities, counties, and states. In addition, Community Development Block Grant (CDBG) and HOME funds have also historically provided a modest source of Federal funds for LBP hazard control in distressed neighborhoods. However, these limited public sources of funds are eclipsed by the enormity of the need and seem unlikely to increase in the future, due to federal budget pressures. It is therefore critical, now more than ever, to focus on additional means of financing the evaluation and control of LBP hazards.

The major focus of this handbook is the Community Reinvestment Act and the significant and often overlooked opportunity it offers to secure private

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<sup>4</sup> Comprehensive and Workable Plan for the Abatement of Lead-Based Paint in Privately Owned Housing, U.S. Department of Housing and Urban Development, 1990.

sector financing of childhood lead poisoning prevention efforts by means of a wide variety of potential funding mechanisms. In addition, two programs exist that can make public sector funds available for the financing of lead hazard evaluation and control efforts through private sector banks: incentive- and linked-deposit programs. With more than 50 such programs already up and running throughout the country, the opportunity is ripe to tailor those and additional new public deposit programs to benefit lead poisoning prevention efforts.

This handbook begins by providing basic information about the CRA, including the numerous ways that banks can earn CRA “credit” (i.e., CRA is not merely about loans). The successful CRA approaches taken by New Jersey and Massachusetts are then summarized, followed by a primer on linked- and incentive-deposit programs. A blueprint is then provided for advocates to act on these opportunities, along with recommended reading materials and a list of a number of organizations that offer additional information and expert guidance and assistance. Finally, the appendices contain examples of CRA products designed to facilitate lead hazard control, as well as an example of actual linked- deposit program guidelines, and a letter from EPA Administrator Carol Browner, advocating the increased use of CRA to combat childhood lead poisoning at the local level.



## WHAT IS THE COMMUNITY REINVESTMENT ACT?

- The Community Reinvestment Act ("CRA"), enacted as Title VII of the Housing and Community Development Act of 1977,<sup>5</sup> is a federal law designed to ensure that banks provide appropriate services and credit to consumers and businesses in all census tracts covered under an individual bank's chartered geographic area of service, including any low- or moderate-income communities within such service area.
- The need for the CRA arose when it became clear that many banks and thrifts were failing to provide adequate credit and services to low- and moderate-income communities, and were in fact "disinvesting" from those communities by closing branch offices, refusing to lend, and otherwise failing to meet ordinary local banking needs.
- One of the statute's central provisions is therefore that *federally-insured deposit facilities must recognize and demonstrably strive to meet the credit needs of all the communities they are chartered to serve*. Failure to do so can result in banks being prevented from merging or expanding, a powerful incentive for compliance.
- Banks subject to CRA must submit to regulatory oversight and enforcement every two years. In addition, whenever a federally-insured bank applies for acquisition of another bank, or a merger, establishment of a new branch, or a significant service expansion, the bank's regulating agency must announce the proposed activity and request public comment regarding the bank's CRA performance.
- Banks may instead opt to work with local community groups to develop a 1-5 year Strategic Plan for CRA compliance, which would then exempt them from having to submit to CRA examinations during the period covered by the approved Plan.
- Each financial institution that is subject to CRA falls under the regulatory oversight of one of four CRA "regulators" -- the Federal Reserve Bank,

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<sup>5</sup> 12 U.S.C. 2901 *et seq.*

the Office of Thrift Supervision, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency.<sup>6</sup> These four regulators administer the CRA under identical federal regulations. However, interpretation and enforcement of the CRA have been controversial and have evolved over time. The CRA regulations were significantly revised in April, 1995, signaling a new era of CRA administration and enforcement.

- In the past, those charged with enforcing CRA were able to use considerable flexibility in arriving at their conclusions about a bank's level of compliance, based on relatively subjective evaluations of twelve different criteria. All too frequently, an examiner's positive assessment of a bank's CRA performance would prompt cries of outrage by local advocates more intimately acquainted with the bank's actual performance in meeting local credit needs.
- However, CRA advocates anticipate that the new regulations will make it much more difficult for banks to avoid responding to identified credit needs in low-income communities. It is also of course in the best interest of banks to establish good records of CRA performance, particularly given the current explosion of bank mergers and acquisitions. Now more than ever, failure to meet CRA standards can in effect arrest bank growth and development.
- The new regulations focus on three specific tests of a bank's CRA performance: lending, investment, and service. This new system enables regulators to arrive at relatively objective evaluations, based on individual banks' actual CRA-related performance.

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<sup>6</sup> To receive notice of upcoming CRA bank examinations, get on the mailing list of the four regulators by calling each of their Public Affairs Departments: Federal Reserve Bank (202-452-3206); Office of Thrift Supervision (202-906-6924); Federal Deposit Insurance Corporation (202-416-6940); and the Comptroller of the Currency (202-874-5770).

## THREE MARKERS OF BANKS' COMPLIANCE WITH CRA

Under the set of CRA regulations in use until 1996, bank compliance was assessed based on a subjective evaluation taking into account twelve different factors. Under the new regulations, compliance verification is both streamlined and made more objective by limiting review to the three fundamental elements of a bank's overall CRA performance: loans, investments, and service.

⇒ **Loans** -- The new regulations encourage banks and thrifts to "use innovative or flexible underwriting approaches to facilitate lending to low- and moderate-income individuals and areas," with the caveat that the loans must remain consistent with safe and sound operations. This regulatory language is intended to ensure access to loans for individuals, businesses, and other organizations that would normally fail to qualify under a bank's conventional underwriting criteria. This more flexible approach opens the door to a wide variety of loan product possibilities.

Typically, CRA lending commitments consist of aggregate dollars earmarked for specific credit needs. *Many CRA-eligible loan products can be designed to benefit organizations, businesses, and individuals attempting to identify and mitigate lead-based paint hazards.* The following summarizes how various types of loans that can be included in CRA agreements can be used to finance lead hazard control activities:

- ◆ "Purchase and rehab" loans roll the cost of lead-based paint hazard evaluation and control activities into the mortgage. This allows new owners of properties that may contain lead-based paint hazards to make their homes lead-safe at the cost of a small marginal increase in their monthly mortgage payment.
- ◆ Home improvement loans with extended maturity also allow for the economic impact of lead hazard evaluation and control expenditures to be minimized, by spreading payments over an extended repayment schedule.
- ◆ Below-market rate loans to address lead-based paint hazards make it possible for more owners to obtain credit.

- ◆ Small-business loans with flexible underwriting criteria and/or at below-market rates to jump-start and/or sustain community-based lead-based paint hazard evaluation and control ventures benefit a number of parties, including the entrepreneurs who get the loans, the property owners and community residents who obtain better access to lead hazard evaluation and control services, and the community at large that realizes an overall economic boost.
- ◆ Community development loans, often administered by a local community development organization, provide a flexible mechanism by which to fund a variety of community needs, including lead hazard evaluation and control. The funds for these loans are sometimes established by a lenders' pool involving several different banks, each of which would gain CRA "credit."

⇒ **Investments** -- The second broad category of bank activities considered in the evaluation of a bank's CRA performance comprises the bank's record of investments, grants, and deposits made to benefit low- and moderate-income communities, including the purchase of stock or bonds as long as such purchase is deemed to benefit the economic well-being of these communities. The examples below, many of which consist of activities that can be geared to promote the development of lead hazard control work, include the purchase of shares, or investments, grants, or deposits:

- ◆ to support financial intermediaries, including Community Development Corporations, that primarily lend or facilitate lending in low and moderate-income areas or to low- and moderate-income individuals in order to promote community development;
- ◆ to support community-based organizations providing outreach, public education, and other public interest activities that can easily include a variety of lead-related functions;
- ◆ to support organizations engaged in affordable housing rehabilitation, including lead hazard control work;

- ◆ to support organizations promoting economic development by financing small businesses, including community-based lead hazard evaluation and control contractors; and
- ◆ to help non-profit organizations serving low- and moderate-income housing or other community development needs, including home ownership counseling, home maintenance counseling, credit counseling, and other financial services education.

⇒ Qualified “investments” also include investments in municipal and state bonds that finance community development or address affordable housing needs; and grants, including in-kind contributions of property such as computer equipment to local chapters of Parents Against Lead organizations.

- ◆ *Municipalities and states may issue tax-exempt bonds to finance any number of lead poisoning prevention projects, from window replacement and other abatement activities to the development and maintenance of lead-safe housing.* Banks should be encouraged to work with local government officials to help underwrite such bonds.

⇒ **Services** -- This third broad category of bank activities that qualify as CRA-related focuses on community-tailored assistance, derived in large part from bankers’ wealth of expertise on a number of topics. Examples most relevant for lead-related purposes include:

- ◆ Providing technical assistance to non-profit organizations serving low- and moderate-income housing needs or promoting economic revitalization and development;
- ◆ Lending executives to organizations involved in affordable housing rehabilitation and lead hazard control activities; and
- ◆ Offering consumers home-buyer counseling and/or home-improvement counseling. Housing-related counseling services are increasingly being provided by banks. Advocates concerned about lead poisoning should ensure

that such counseling programs include an up-to-date lead-based paint component, encompassing the federal notification and disclosure requirements associated with lead-based paint hazards and any other lead hazard-related information that results in a better-informed consumer.



## CRA AND LEAD: SUCCESS STORIES

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***"CRA has helped financial institutions to discover new markets that may have been underserved before."***

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Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, at the 1994 annual meeting and conference of the National Community Reinvestment Coalition

As the Federal Financial Institutions Examination Council states in its brief introductory publication, *A Citizen's Guide to the CRA*: "The CRA works best when it is the basis of an ongoing dialogue." Unfortunately, until recently, *most advocates for childhood lead poisoning prevention have not been aware of or participated in CRA-related discussions.*

Now that the lead poisoning prevention movement has begun to mature into organized coalitions in a substantial number of cities and states, it is time to include CRA strategies in efforts to expand financing opportunities for lead-based paint hazard evaluation and control.

The U.S. Environmental Protection Agency (EPA) articulated its support for harnessing CRA for these purposes in a letter written by EPA Administrator Carol Browner to Comptroller of the Currency Eugene Ludwig in March, 1994,<sup>7</sup> in which Administrator Browner asserts:

***"Effective response to the lead-based paint problem will require the development of creative mechanisms to finance hazard identification and abatement activity. Specific financing needs that could be facilitated by CRA include: loans for lead abatement...; loans or investments for start-up or expansion of small inspection/abatement businesses...; and financing for community development organizations...."***

This chapter focuses on what lead poisoning prevention advocates can do to leverage funds and other valuable forms of assistance through CRA. Advocates in two states, Massachusetts and New Jersey, have been at the

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<sup>7</sup> See Appendix A.

cutting edge of this approach, and some specifics of the CRA agreements they have negotiated are outlined below.

- The Massachusetts Experience

Childhood lead poisoning prevention has been a high priority for many years in Massachusetts, and the state's lead statute ranks among the few in the nation that have established a clear and enforceable standard of care for owners of pre-1978 housing. As a result, there has been more of an underlying commitment to lead-related financing in Massachusetts than elsewhere.

Specifically, the Massachusetts Housing Finance Agency (MHFA) has established a loan program for lead hazard abatement by home owners at a 0% interest rate, with income eligibility set at a generous \$57,000 level in the Boston market area. To date, over 300 loans averaging \$15,700 each have been financed. MHFA has also established a 3% interest rate loan program for investor-owners of 1-4 family rental properties. All borrowers apply for MHFA's "Get the Lead Out" program through participating Local Rehabilitation Agencies (LRAs). Each LRA, typically a Community Development Corporation, guides borrowers through both the loan and the hazard abatement processes. The loans are originated through various lenders statewide, *with participating banks receiving CRA credit*.

At one time during the administration of this low-interest loan program, some of the loans were guaranteed through a loan guarantee fund administered by the Massachusetts Housing Partnership. The loan guarantee aspect of such a system should be stressed, as it can make the difference between having an aggressive dedicated lending program or not. This point also reinforces the importance of thinking broadly when strategizing about potential financial products, and including as many parties as possible in the product design and marketing stages.

Massachusetts lead poisoning prevention advocates have also established a successful "*purchase and rehab*" program, under which participating banks roll the cost of lead hazard control into the mortgage. As with the MHFA loans, banks that offer purchase and rehab loans covering the cost of lead hazard control are putting an innovative loan product on the market and fulfilling a low- and moderate-income community credit need -- thus clearly qualifying for credit under CRA. Model language that can be used for a purchase and rehab product is provided by the Massachusetts Affordable Housing Alliance at Appendix B.

- Innovative Work in New Jersey

New Jersey Citizen Action (NJCA) has been negotiating CRA agreements with banks since 1987 to provide low- and moderate-income residents with low-cost housing loans and financial services. These efforts have been very successful, producing CRA commitments involving low-interest housing loans and small-business and minority-owned business loans totaling some \$3 billion. These include commitments by banks to provide discounted home improvement loans, including unsecured loans of up to \$3,000 and secured loans of up to \$5,000. Non-profit housing organizations have also benefited from these CRA agreements, obtaining lender commitments of financial support for a variety of "special activities."

Most recently, NJCA negotiated two *lead-based paint hazard abatement loan products* with a local bank -- one for single-family, the other for multifamily housing (up to six-family properties). The agreement provides for below-market financing to control lead hazards and is reproduced at Appendix C. Terms include the following:

- \* Loans for lead-related work up to \$25,000 per unit for single-family, up to \$60,000 for multi-family housing, with a discount of 1.5% to 2% off market interest rates.
- \* Loan maturity up to 20 years.
- \* No equity requirement for loans in owner-occupied housing, nor for loans of less than \$15,000 in rental housing.
- \* For loans of more than \$15,000 in rental housing, the equity in the property must equal or exceed the amount of the loan.
- \* No bank inspection is required for loans of less than \$7,500.
- \* No mortgage recording fees.
- \* No late fees.

## WHAT ARE PUBLIC DEPOSIT PROGRAMS?

Increasingly, enlightened state and local governments are trying to get more out of their deposits than just a safe way to earn a competitive interest rate. Linked deposit and incentive deposit programs are two examples of public/private partnership based on a simple but ingenious principle -- that revenues collected by state and local governments can and should be used to serve the public interest while on deposit at banks. These public deposit programs provide banks with significant incentives for community reinvestment.

Linked deposit and incentive deposit programs combine to offer communities, as well as state and local governments, a way to get more for their money to address local needs. To launch such programs and to ensure they prioritize lead poisoning prevention, state and local health and housing officials are in an ideal position to initiate a government request for adoption of an appropriately designed public deposit program. Where that does not occur, advocates for lead poisoning prevention and affordable housing should exert pressure to secure a public deposit program that meets their demonstrated needs. Today more than ever, *it is essential for lead poisoning prevention advocates to join in coalition-building efforts with other community activists and affordable housing advocates and to participate at the negotiating table with government agencies, banks, and thrifts.*

### Linked Deposit Programs

- States and local jurisdictions that want to address specific local credit needs without creating new government programs may do so by “earmarking” a portion of their deposited funds to serve those specific needs. Jurisdictions establishing such programs agree to accept a discounted interest rate for the earmarked deposits, enabling participating banks in turn to offer the applicable targeted loans (up to the amount earmarked for such purposes) to the relevant consumers *at a similarly discounted interest rate.*
- Under a linked deposit program that establishes discounted loans for lead hazard control, benefits accrue to all involved. Families and children benefit by having lead hazards controlled. The property owner benefits from the below-market rate loan. Mitigating lead hazards further benefits the property owner by reducing the likelihood of future litigation and benefits present and future occupants by reducing the risk of lead

poisoning. The government-depositor, while accepting in the short-term a nominal reduction in interest earned on its deposits, also benefits in the long run, by avoiding potentially substantial future costs -- particularly in special education and in health care. Participating banks benefit by establishing good will, both with the community and with the government-depositor, making increased business with such banks likely -- both from the community and from the public sector.

- According to a study by the nonprofit Woodstock Institute, a total of \$1.2 billion was on deposit in state linked-deposit programs nationwide in 1990.<sup>8</sup> The Executive Order establishing Boston, Massachusetts' linked deposit program is provided at Appendix D.

### Incentive Deposit Programs

- Under an incentive deposit program, public deposits are directed to specific banks based on their performance in meeting specific local credit needs, as measured against other banks. Conversely, deposits may be withdrawn or withheld from banks that fail to support identified priorities.
- To encourage bank response to specific local needs, a state or local government sets a target number of relevant loans for banks to make, and directs deposits to banks based on their relative performance.
- Whether they are used as carrots or sticks, the potential power of incentive deposit programs is tremendous, as very large sums are often involved. Examples cited in the Woodstock Institute's 1994 "how-to" manual on the subject<sup>9</sup> include New York City's \$40 million annually expended in banking service fees alone, and Florida's annual municipal deposits of \$11 billion. With such huge sums at stake, banks have a strong incentive to comply with reasonable targets set by the government to meet pressing community needs, including the establishment of special loan products that meet childhood lead poisoning prevention needs.

### WHAT ADVOCATES CAN DO

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<sup>8</sup> More for Our Money: A Primer on Public Deposit Programs; Woodstock Institute; Chicago. 1994.

<sup>9</sup> Id. See Bibliography section.



Now that you are more familiar with the various opportunities that exist under CRA and with public deposit programs, you may be asking yourself how best to go about taking advantage of them. Here are some basic “rules of engagement” to get you started.

## THE ACTIVIST'S TOOLBOX

- ◆ **Identify the need.** The first step for advocates is to identify community needs that CRA or public deposit programs can be harnessed to address. In the case of lead poisoning prevention, advocates need to focus on the nature of the problem: how pervasive are lead hazards in the community in question? Are data available about the number and prevalence of lead poisoning cases in the community? Health and housing departments can help community advocates by documenting that lead poisoning prevention is a pressing community need. *Having the imprimatur of government agency support confers credibility and helps establish that lead poisoning prevention is a legitimate and pressing community need.*
- ◆ **Educate and develop alliances with property owners.** It is critical to keep in mind that one of the most direct beneficiaries of these programs is none other than the property owner in need of credit. *The CRA and public deposit programs provide a rare opportunity for tenant advocates and landlords to join forces* in a dialogue with lenders, in an effort to secure special loan products that rental property owners can use to address lead hazards. Community Development Corporations, other nonprofit housing providers, and state and local property owner associations may prove to be powerful allies, particularly if clear understandings are reached about lead hazard control standards.
- ◆ **Join forces with other advocates.** Once health and housing advocates can demonstrate the need for increased lead poisoning prevention efforts, they should seek out others who are active locally in pursuing CRA negotiations. In most places, Community Development Corporations are likely to be involved in such activities, as are community action agencies, religious leaders, civil rights groups, small business associations, and even, increasingly, elected officials. *Get in touch with the National Community Reinvestment Coalition (202-628-8866) to find out who the CRA activists are in your area.*<sup>10</sup> They will welcome

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<sup>10</sup> NCRC has published a "CRA Agreement Catalogue" that includes additional advice on how to craft a CRA agreement and also identifies individuals and organizations around the country with CRA experience.

your participation, as the identification of lead poisoning prevention as yet another unmet community need reinforces their position that lenders need to be doing more. There is strength in numbers, and the lead poisoning prevention advocate's objectives complement, rather than compete with, the needs of other affordable housing advocates.

- ◆ **Develop proposals lenders can implement.** Remember that CRA is not a charity. Public deposit programs that are built on unrealistic assumptions about the need for particular loan products will fail. Advocates and property owners need to devise sound approaches to the financing of lead poisoning prevention that lenders can live with. When proposing specific loan products, advocates must have some reasonable expectation that consumers will actually apply for them. Conversely, advocates should never put themselves in the position of being more conservative than the bank itself.

Advocates should also negotiate to obtain State assistance to help underwrite interest rate reductions, provide loan guarantees for the banks, offer technical assistance in administering the loans, or help in supervising the lead-based paint hazard control process. Advocates might also suggest that lenders *require post-hazard control clearance tests as a condition of loans*, which would protect both lenders and occupants. Refer to the 1995 Lead-Based Paint Hazard Reduction and Financing Task Force Report<sup>11</sup> for similar sound recommendations (see Bibliography).

- ◆ **Research local lenders.** Advocates need to do some further basic homework to maximize their chances of success. This includes researching individual bank performance to identify both those banks that may already be inclined to act favorably, as well as the most "vulnerable" banks with poor community reinvestment records. In some cases, larger banks may already have experience with lead-related financing products in one or several of their branches.
- ◆ **Educate lenders.** Most lenders are not likely to know very much about lead poisoning, lead-based paint hazards, or prevalence rates in the communities of concern. Advocates should take the initiative to educate lenders about these issues, supplementing data from local health and housing departments with their own personal experiences. The messages and recommendations to lenders contained in the above-cited

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<sup>11</sup> Putting the Pieces Together: Controlling Lead Hazards in the Nation's Housing; HUD-1547-LBP; July, 1995.

task force report should also prove useful. Copies of the report and its executive summary can be obtained free by contacting the National Lead Clearinghouse (1-800-424-LEAD).

- ◆ **Educate local and state treasury officials.** Generally, officials from local and state treasurers' offices are likely to know even less about the hazards of lead in residential housing than lenders do. Advocates seeking to establish public deposit programs need to spend time educating these officials about the issues, all the while presenting local data about the prevalence of lead poisoned children and the extent of potential consumer demand for the kinds of loan products that public deposit programs are designed to encourage. In this process, it is critical that advocates work closely with health and housing agency officials, whose strong explicit support for a linked- or incentive-deposit program that promotes increased financing of lead hazard control should provide the treasurer's office with the comfort level it may well need to take local advocates seriously.
- ◆ **Bring in the media.** Publicity can be a formidable ally -- it makes more people aware of the tragedy of lead poisoning, and it puts pressure on lenders and local officials to do their share to address the problem. The more visibility the issue receives, the more likely it is that lenders and local governments will work with you to identify ways to help.

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*"I've seen first-hand the successes of initiatives like the Community Reinvestment Act in revitalizing neighborhoods in our inner cities and other underserved communities. CRA gives communities a chance to succeed by simply encouraging banks to carry out their purpose -- to extend credit to creditworthy borrowers."*

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Robert E. Rubin  
Secretary of the Treasury  
August 11, 1995

## HELPFUL RESOURCES

### A. Selected Key Organizations

#### *National Community Reinvestment Coalition (NCRC)*

With more than 500 member organizations nationwide (including the Alliance To End Childhood Lead Poisoning), NCRC is the leading national voice of CRA advocates. The country's largest CRA trade association, NCRC provides in-house expertise on community reinvestment issues and can put folks in touch with local CRA experts for networking and collaborative purposes. NCRC also disseminates legislative and regulatory updates through a variety of newsletters and other publications (see Bibliography).

Address: 733 Fifteenth St., N.W., Suite 540  
Washington, D.C. 20005-2112

Phone / Fax: 202-628-8866 / 202-628-9800

#### *Center for Community Change*

The Center for Community Change is a national, non-profit organization providing technical assistance to grassroots community groups in low-income and minority communities across the country. Their Neighborhood Revitalization Project (NRP) works with community groups that are concerned about increasing the availability and affordability of credit and banking services in their communities. NRP helps groups assess local credit needs, evaluate the performance of local lenders, develop reinvestment strategies and implement those strategies. NRP provides training, produces publications to help groups with reinvestment efforts, and keeps groups informed about legislative and regulatory developments affecting community reinvestment and fair lending. NRP also has a software package that enables community groups to analyze local mortgage lending activities.

Address: 1000 Wisconsin Ave., N.W.  
Washington, D.C. 20007

Phone / Fax: 202-342-0567 / 202-333-5462

### Woodstock Institute

The Woodstock Institute is a non-profit organization developing and implementing programs that increase private sector investment in modest-income and minority communities. These programs strive to bridge the gap between the needs of communities and the resources of banks, savings and loan associations, foundations, and others. The Institute provides a variety of services to community-based organizations, financial institutions, foundations, and government agencies, including applied research, policy analysis, and program design and evaluation.

Address: 407 S. Dearborn  
Chicago, IL 60605

Phone / Fax: 312-427-8070 / 312-427-4007

### National Training and Information Center

The National Training and Information Center has assisted local organizations to win significant reinvestment commitments for their communities. The Center's CRA training focuses on identifying community reinvestment needs, researching financial institutions, and designing and negotiating CRA agreements.

Address: 810 N. Milwaukee Ave.  
Chicago, IL 60622

Phone / Fax: 312-243-3035 / 312-243-7044

### Community Reinvestment Clearinghouse at New York Law School

The Clearinghouse serves as a community reinvestment resource center for community groups and non-profits, offering technical assistance in the form of training workshops on advocacy and organizing strategies, and a resource library that includes a CRA database.

Address: 57 Worth Street  
New York, N.Y. 10013

Phone / Fax: 212-431-2179 / 212-966-2053

### Community Information Exchange

The Community Information Exchange is a national, nonprofit information service dedicated to strengthening grassroots organizations, especially in poor neighborhoods and rural communities, by providing them with the information they need to revitalize their communities. The Exchange provides a range of information about affordable housing and other community-based development funding and financing sources, strategies, technical assistance providers, publications, and other news.

Address: 1029 Vermont Ave., N.W., Suite 710  
Washington, D.C. 20005

Phone / Fax: 202-628-2981 / 202-783-1485

### Neighborhood Reinvestment Corporation

This is a public, nonprofit organization funded primarily by a congressional appropriation and established by an act of Congress in 1978 "to revitalize older urban neighborhoods by mobilizing public, private and community resources at the neighborhood level." Neighborhood Reinvestment creates and strengthens resident-led partnerships of lenders, other business people and local government officials, and helps direct a national network of community-based development organizations that has grown into the nation's largest system for restoring neighborhoods in decline, leveraging \$185 million in direct reinvestment annually.

Address: 1325 G Street, N.W., Suite 800  
Washington, D.C. 20005

Phone / Fax: 202-376-2400 / 202-376-2600

### McAuley Institute, BankRight Campaign

McAuley Institute, founded by the Sisters of Mercy, operates a revolving loan fund and gives technical assistance to community-based development groups, especially those that are resident-controlled and address the housing needs of women and children. BankRight is a campaign to increase the number of religious and other organizations that encourage financial institutions to fulfill their CRA obligations. The project is primarily an outreach and public education campaign to increase awareness of the potential of this strategy among religious organizations of all faiths, from churches, synagogues, and mosques to large health care and education systems. BankRight also compiles information on religious involvement in CRA issues for use by the religious and secular media.

Address: 8300 Colesville Road, Suite 310  
Silver Spring, MD 20910



Phone / Fax: 301-588-8110 / 301-588-8154

*Center for Policy Alternatives*

The Center for Policy Alternatives (CPA) is a non-profit, non-partisan catalyst for progressive policy across all fifty states. CPA seeks to expand the use of the CRA to create new financing mechanisms for environmental and community-based housing and infrastructure needs. CPA works with state legislatures to promote model programs, state CRAs, linked-deposit and access-to-capital initiatives.

Address: 1875 Connecticut Ave., N.W., Suite 710  
Washington, D.C. 20009

Phone / Fax: 202-387-6030 / 202-986-2539

*Massachusetts Association of Community Development Corporations (MACDC)*

In its efforts to support the work of Massachusetts Community Development Corporations, MACDC has gained substantial experience in housing, economic development, and banking issues. As a result of its work -- and in partnership with other statewide organizations -- MACDC has successfully negotiated several substantial CRA commitments.

Address: 197 Portland Street  
Boston, MA 02114

Phone / Fax: 617-523-7002 / 617-523-5409

*Massachusetts Affordable Housing Alliance (MAHA)*

MAHA anchors the Lead Paint Action Committee, a group of tenants, homeowners, parents, and concerned community members committed to affordable, lead-safe housing. MAHA is one of the key CRA-expert organizations in the state and has successfully negotiated several substantial CRA agreements in Massachusetts.

Address: 1773 Dorchester Avenue  
Dorchester, MA 02124

Phone / Fax: 617-265-8995 / 617-265-7503

*New Jersey Citizen Action (NJCA)*

Some of NJCA's principal activities include organizing constituencies affected by lead poisoning and advocating for more resources to prevent lead poisoning. In this capacity, NJCA has successfully negotiated several substantial CRA agreements.

Address: 46 Paterson Street, 2nd Floor  
New Brunswick, NJ 08901

Phone / Fax: 908-246-4772 / 908-214-8385

## B. Selected Bibliography

Many of the above-listed organizations have newsletters and/or other publications containing valuable pertinent information. The following list of publications has been selected for the particularly comprehensive, insightful, and/or unique nature of their contents.

### General

*Putting the Pieces Together: Controlling Lead Hazards in the Nation's Housing* Report to HUD by the federal Lead-Based Paint Hazard Reduction and Financing Task Force, 1995. This milestone report contains specific chapters and recommendations pertaining to the financing of lead-based paint hazard control. It can be a valuable tool both as a source of up-to-date information and as a source of financing ideas. It is available free from the National Lead Clearinghouse at 1-800-424-LEAD.

*The Home Mortgage Disclosure Act: A Citizen's Action Guide* Center for Community Change, 1995. This valuable primer discusses how to use HMDA data to evaluate lender patterns and lending performance.

*National Health and Nutrition Examination Survey (Third)* Centers for Disease Control, 1994. Data from this survey, conducted between 1988 and 1991, are the basis for the best current estimates about the prevalence of lead poisoning in the U.S. and the breakdown of cases by income, race, and other variables. Published in the Journal of the American Medical Association, Volume 272, Number 4, July 27, 1994.

*Financing for Lead Hazard Control: Description of Programs That Work* National Center for Lead-Safe Housing, 1994. This collection of case studies provides valuable models and lessons for community activists concerned about financing lead-based paint hazard control activities.

*Measuring Lead Exposure in Infants, Children, and Other Sensitive Populations*, National Academy Press, Washington DC, 1993. This landmark book reviews the scientific literature on lead poisoning and discusses the association of adverse health effects with low-level exposure to lead. Copies may be ordered by calling 800-624-6242.

*Resource Guide for Financing Lead-Based Paint Cleanup* Alliance To End Childhood Lead Poisoning, 1991. This publication provides brief summaries of existing and potentially available public and private sector sources of funds for lead hazard control.

## CRA-Focused

*Reinvestment Works* and *Reinvestment Compendium* are the National Community Reinvestment Coalition's two newsletters. Together they provide a thorough review of current CRA activities around the country as well as federal legislative updates related to CRA.

*The CRA Reporter* is a periodic newsletter issued by the Center for Community Change. Its scope of coverage includes CRA activities around the country, as well as legislative and regulatory developments in the community reinvestment field and the impact of banking deregulation on the poor.

*BankRight: A Guide to Socially Responsible Banking* Authored by Susan Rees for the McAuley Institute, 1995. A step-by-step action guide for religious organizations and others who want to encourage the banking industry to reinvest in inner-city and rural areas.

*A Guide to Enforcing the Community Reinvestment Act* Fordham Urban Law Journal, Volume XX, Number 2, 1993, by Richard Marsico. Contains a step-by-step guide to help organize your CRA strategy. (Available through Community Reinvestment Clearinghouse at New York Law School.)

*From Redlining To Reinvestment -- Community Responses to Urban Disinvestment* Edited by Gregory D. Squires, Temple University Press, 1992. Contains instructive lessons learned from CRA approaches taken in seven locations across the country.

*A Citizen's Guide to the CRA* Federal Financial Institutions Examination Council, 1992 (updated periodically). Contains maps, addresses and phone numbers of Supervisory Agencies' district and regional offices.

*The Community Reinvestment Act Handbook* National Training and Information Center (Calvin Bradford, author), 1991. Contains comprehensive analysis of how to participate in the CRA process, including how to organize a CRA challenge and negotiate agreements.

*The Community Reinvestment Act: A Citizen's Action Guide* Center for Community Change, 1987. Discusses how to use CRA as a community development tool.

## Public Deposit Programs

*More for Our Money: A Primer on Public Deposit Programs* Woodstock Institute, 1994. Contains basics on incentive and linked deposit programs, as well as a sample municipal incentive deposit ordinance and sample legislation for a small-business linked deposit program.

*Incentive Deposit Programs: A Detailed Summary and Comparative Analysis*  
Center for Policy Alternatives, 1993. Contains results of survey of twenty cities and states with incentive deposit programs, including comparative analysis of key program elements.